



February 2007, Issue 2

There have been a lot of questions about the wisdom of using a cigarette tax to pay for health programs. I mean, it seems reasonable to assume that if you increase the cigarette tax, fewer people will smoke, and although that is good from a public health standpoint, fiscally that means your tax revenue will decrease.

If that is an assumption you share, you might want to take a look at the facts. Fifteen years of evidence tells us that for every 10 percent increase in the price of cigarettes, we will see a 7 percent drop in youth smoking and a 4 percent drop in adult smoking. However, revenue doesn't begin to drop unless we cut our smoking rate in half, and doesn't begin to fall below our base revenue until we cut smoking over 90 percent.

This chart will illustrate the correlation between smoking rates and tax revenue:

Tax increase	Number of people smoking one pack a day	Projected percent decrease in youth smokers	Projected percent decrease in adult smokers	State tax per pack	Daily state revenue from the tax
0	1000	0	0	\$0.555	\$555
\$0.25	964.4	-4.5%	-1.0%	\$0.805	\$776.34
\$0.30	957.3	-5.4%	-1.2%	\$0.855	\$818.49
\$0.50	928.7	-9.0%	-2.1%	\$1.055	\$979.78
\$0.75	892.9	-13.5%	-3.1%	\$1.305	\$1165.23
\$1.00	857.3	-18.0%	-4.2%	\$1.555	\$1333.10

In addition to the increased revenue, every time we cut smoking rates we are saving healthcare costs and saving lives. Decreased smoking will reduce our Medicaid costs, and will have a long-term effect on insurance premiums.

Another way to look at it is from this example:

Retail giants Nordstrom and Wal-Mart are obviously in the same line of business, but with different methods and philosophies of selling to the consumer.

Wal-Mart sells brand products at a substantial discount to its customers. Because of this, Wal-Mart is constantly busy and the demand always there.

Nordstrom on the other hand does not share the number of customers as Wal-Mart on a daily basis. However, Nordstrom stays in business as they charge more for their products, and even with a store-wide sale, Nordstrom still makes a profit.

Both ways work for each respective retailer and they make a lot of sense.

Remember, be HIP!

*State Health Commissioner Judy Monroe, M.D.*



## **BILL WATCH**

- The Healthy Indiana Plan (Senate Bill 503) passed the Senate Appropriations Committee on Thursday, February 15. Senator Patricia Miller is the author of SB 503. On January 25, Senator Vi Simpson was added as co-author. On February 8, Senator Sue Errington, Senator Connie Sipes, Senator Vaneta Becker, and Senator Earline Rogers were added as co-authors. On February 15, Senator Marvin Riegsecker was added as co-author.
- SB 503 will possibly have its second reading on the House floor on Tuesday, February 20.
- The Vehicle Bill (House Bill 1008) was introduced in the House Health Committee on January 17, passed unanimously, and was re-committed to the House Ways and Means. This bill increases the cigarette tax by 54.5 cents per pack.
- Representative Charlie Brown is the author of HB 1008 on February 7, and Representative Timothy Brown was added as co-author on February 15.
- On Monday, February 19, the bill will be heard by the House Ways and Means Committee at 10 a.m.

## **CONTACTS:**

**TJ Lightle, Public Affairs Director, Indiana State Department of Health, (317) 233-7315 or [tlightle@isdh.IN.gov](mailto:tlightle@isdh.IN.gov)**

**Lawren Mills, Policy Director, Family and Social Services Administration, (317) 233-5711 or [Lawren.Mills@fssa.IN.gov](mailto:Lawren.Mills@fssa.IN.gov)**

**Jessaca Turner Stults, Legislative Director, Family and Social Services Administration, (317) 234-3884 or [Jessaca.TurnerStults@fssa.in.gov](mailto:Jessaca.TurnerStults@fssa.in.gov)**